

*This month's TrustIndiana Newsletter features a Q & A with your administrator's Head of Credit Research, Robert Claiborne of Cutwater Asset Management.*



**Robert Claiborne**  
Head of Credit Research,  
Cutwater Asset Management

## What is Cutwater's philosophy toward credit?

Our credit philosophy and process is centered on our belief in taking a long-term investment approach and that credit sectors can add significant value. In addition, Cutwater has honed its credit research and risk management capabilities over nearly 20 years. Cutwater's disciplined process, depth of technical resources, and

our dedicated professionals in credit research and risk management enables us to construct portfolios with less risk. In our opinion, at no other time in the fixed income markets has there been more importance placed on these aspects of asset management. Cutwater's credit research and risk management teams, made up of our senior portfolio managers, credit and risk analysts are dedicated to the safety of the assets we manage while still focusing on enhancing performance returns.

## What is the structure of the Cutwater credit team?

Cutwater has spent considerable resources to build an excellent credit and risk management team. We do not utilize full time portfolio managers for part time credit analysis, rather Cutwater has dedicated portfolio managers and an independently dedicated group of credit analysts who are sector focused. These independent teams meet formally on a monthly and weekly basis and informally daily to discuss current market conditions and the industries impacted by changes in the general economy. These meetings are structured to provide open dialogue between the analysts and portfolio managers to determine strategies that have proven successful and to determine the best approach in upcoming quarters given current and anticipated changes in the marketplace. Our credit team is completely dedicated to serving our products and helping us meet the needs of our client base. Each analyst

is responsible for specific sectors and issuers within a sector, such as banking institutions. Our credit group's senior professionals average 15 years experience in fixed income. For TrustIndiana, the group's deep credit sector knowledge base and experience is utilized for developing the pool's approved bank deposit, commercial paper and asset-backed commercial paper purchase lists in accordance with the investment policy.

Another advantage for Cutwater's credit and risk approach is the robust use of internal resources rather than that of outside research for our credit and issuer decisions. Cutwater's avoidance of the credit pitfalls faced by other asset managers and the proactive approach to safety of assets is a testament to our research capabilities.\* Also, the number of professionals dedicated to credit research and risk analysis has resulted in our ability to provide a more diversified approach to our portfolio management. The result has been a proven investment management program that has never suffered a loss to its local government investment pool portfolios.

## How does the credit team go about selecting corporate commercial paper and/or asset back commercial paper for TrustIndiana?

In developing an approved purchase list for commercial paper and asset-backed commercial paper, a variety of analytical tools and methods are brought to bear. Initially we begin with a list of all eligible depositories, as defined by the policy, and then examine the short-term and senior debt credit rating of the institution or vehicle in the case of asset-backed commercial paper on Bloomberg and through the credit agency reports. The credit analyst then performs a rigorous strategic, operational, and financial review of the institution within the context of the current domestic and global economic environment, and relative to peer group performance. Resources used beyond SEC filings and rating agency access include both broker/dealer and independent research including CreditSights, GimmeCredit, Bloomberg data, credit scoring models including Bond

Score, and industry specific financial databases including SNL for banks and finance companies. We also use a variety of internal tools, including a daily rating change report, and CreditTracker, a credit tracking database for corporate bonds. In addition, credit analysts have access to Cutwater's fully staffed corporate research library with access to a myriad of research resources.

### **Does the monitoring of issuers stop once the approved list is created?**

No, we monitor issuers on a daily basis. Safety is our primary concern, therefore the quality of our security selection is always at the front of our minds. Also, corporate commercial paper is typically issued by highly-rated major companies in financial services and other select industries, which possess significant liquidity resources to support their commercial paper. We actively manage our approved list to anticipate potential rating or credit challenges to an issuer. And given the credit resources we have at Cutwater, we never rely on the Street or instinct in terms of buy and sell decisions.

### **Some Finance Directors or local government financial advisors tend to steer clients away from local government investment pools investing in asset-backed commercial paper (ABCP). Do you view this sector as any more risky?**

No, we believe that ABCP can add significant value to a portfolio without sacrificing safety. Cutwater maintains an approved list that targets multi-seller ABCP issuers that are backed by pools of receivables of different types that are originated and serviced by a broad group of companies. This diverse set of underlying cash flows helps protect the ABCP issuer and investor from undue concentrations in one sector or one company's receivables. In addition, our approved list targets ABCP issuers that are sponsored by highly-rated major financial institutions which have a successful track record managing ABCP vehicles and which also provide appropriate additional credit enhancement at the vehicle level and full liquidity support for the ABCP. However, given the potential for regulatory reform of the financial sector that is currently being debated in Congress and its possible impact on major financial institutions, we continue to closely monitor the sector for any market developments that may affect the sponsors of ABCP issuers.

### **How did the Cutwater credit team guide their managed programs through the 2007 liquidity crisis?**

We at Cutwater have always taken the long view in investing. We invest only in blue chip selections and, coupled with our resources and experience, have never suffered a loss to any of our local government investment pool portfolios, even during the worst period of the liquidity crisis. Furthermore, a number of the bank-sponsored, multi-seller ABCP conduits on our approved list are managed by banks which have successfully administered ABCP vehicles for 20 years or more. Therefore, in the depths of the liquidity crisis in ABCP in the fall of 2007, many of these blue chip issuers in the ABCP market continued to have funding access in spite of the illiquidity in the market faced by other issuers.

### **What changes have been implemented in the credit process since 2007?**

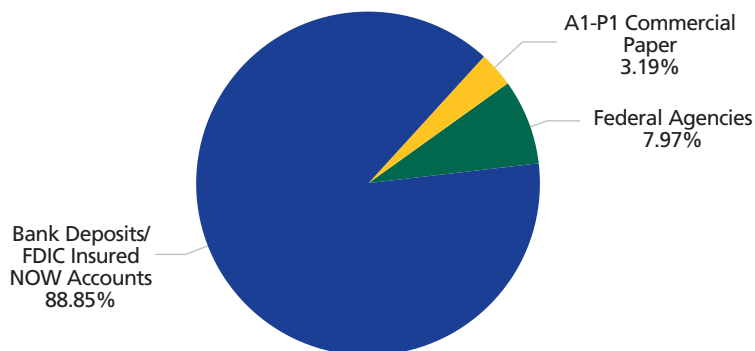
Since we have never incurred a loss, even during the worst of times, we believe it is prudent to stick with our credit process. We are always looking for ways to improve and refine our credit process given the ongoing changes in the market, regulation and technology. We have added additional credit analysts and technological resources since 2007 to further augment the credit research team. However, the fundamental drivers of our process, a long term view and a comprehensive fundamental analysis, have not changed what has been proven to be a successful process.

### **What message do you want to convey to TrustIndiana Participants about Cutwater's management of the credit process?**

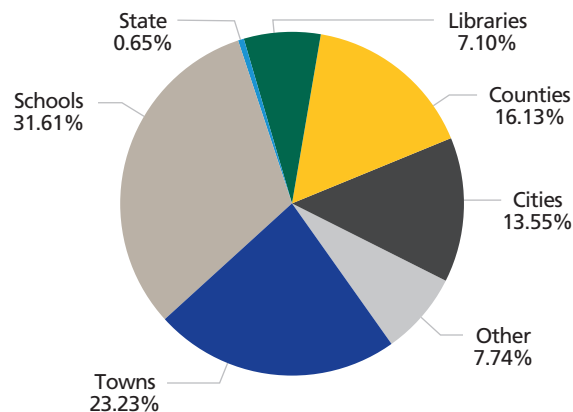
Given the experience, track record and oversight that Cutwater Asset Management brings as an investment manager, investors can feel confident that the A1/P1-rated CP and ABCP investments in the portfolio are of the highest quality (minimum A1/P1 and A1+P1) and serve the safety, liquidity and yield objectives of the pools.

## Fund Highlights as of April 30, 2010:

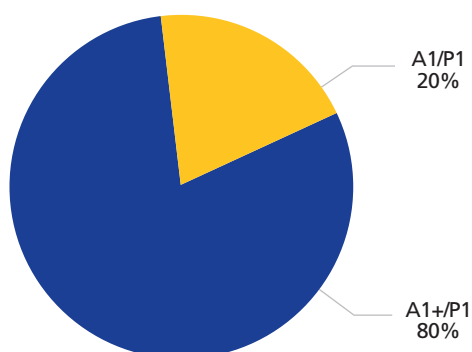
### Portfolio Composition



### Participant Breakdown

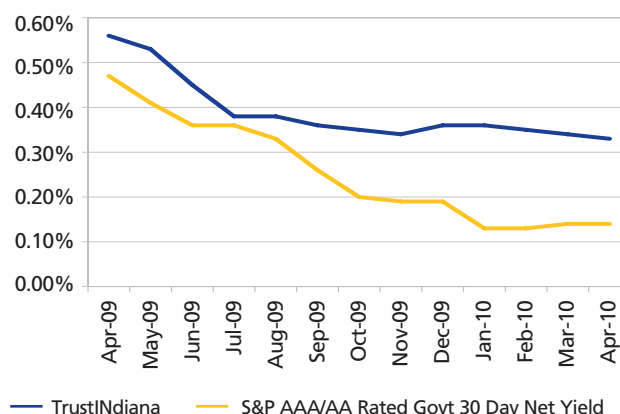


### Investment Credit Quality



### TrustIndiana vs S&P AAA/AA GIP

(30 Day Avg Yields)



Month	Avg Daily Yields	WAM	NAV	Month Ending Net Assets
Jan-10	0.36%	16 Days	1.0000	\$613,397,209
Feb-10	0.35%	14 Days	1.0000	\$605,742,631
Mar-10	0.34%	18 Days	1.0000	\$644,759,116
Apr-10	0.33%	30 Days	1.0000	\$627,848,437



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